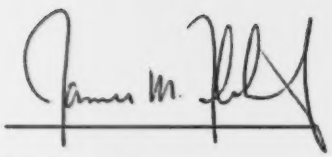
Office of the Superintendent of Financial Institutions Canada

2008-2009 to 2010-2011

Report on Plans and Priorities



Minister of Finance

OSFI BSIF

Canada

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SECTION I

OVERVIEW

Message from the Superintendent

On behalf of the Office of the Superintendent of Financial Institutions Canada (OSFI), I am pleased to present to Parliament our *Report on Plans and Priorities* for 2008–2009.

As Canada's federal prudential regulator, OSFI has a mandate to protect the rights and interests of depositors, policyholders and pension plan members, while allowing financial institutions to take reasonable risks and compete effectively. The financial services industry is dynamic – rapidly changing both in Canada and around the world. Over the past several months there has been turbulence in global financial markets with which has come increased risk to financial institutions globally, including in Canada.

OSFI has established a long-term priority that involves focusing on the changing risk environment, by enhancing our ability to identify risks and their impact on financial institutions and pension plans, and using that increased understanding to adjust supervisory and regulatory expectations. The priority involves increasing our surveillance of markets to better determine the impacts of events on financial institutions. In concert with this initiative, OSFI is also planning more comparative reviews. We will benchmark how banks manage liquidity risk, the rigour of their stress testing, the robustness of their valuation processes, as well as their securitization activities. In the life insurance sector, commercial real estate activities will be reviewed, and in the banking sector, US commercial real estate activities will be reviewed.

OSFI has established a long-term priority that involves focusing on the changing risk environment, by enhancing our ability to identify risks and their impact on financial institutions and pension plans, and using that increased understanding to adjust supervisory and regulatory expectations.

In support of its prudential mandate, OSFI has several ongoing activities. These include: accurate risk assessments of financial institutions and pension plans, and timely, effective intervention and feedback; promoting a balanced and relevant regulatory framework of guidance and rules that meets or exceeds international minimums; and a prudentially effective, balanced and responsive approvals process. Ensuring that OSFI has the human resources available to fulfil its mandate, through better long-range, integrated planning is of key importance.

In the longer term, OSFI will continue work to strengthen Canada's system of prudential regulation. Related to this goal is OSFI's continued participation in international discussions, including the Financial Stability Forum, the Basel Committee on Banking Supervision, and the

International Association of Insurance Supervisors, to identify and discuss events arising from global financial market turmoil. In addition, OSFI will continue its support for: domestic implementation of the Basel II Capital Accord; preparations for the move from Canadian GAAP to International Financial Reporting Standards (IFRS); development of a more risk-based capital framework for life insurance companies over the next five years; and the enhancement of OSFI's ability to perform in an increasingly complex pensions market.

As well, the International Advisory Group will continue to contribute to international financial stability by assisting emerging market economies in enhancing their regulatory and supervisory systems.

The Office of the Chief Actuary will provide ongoing expert valuation and advice for actuarial reports including the Canadian Pension Plan (CPP), Old Age Security Program (OAS), and federal public sector employee pension and insurance plans established under various Acts.

In 2008-2009, OSFI will continue to contribute to a strong and prosperous Canadian financial system, a system in which Canadians can put their reliance and their trust.

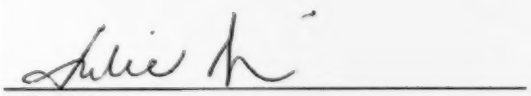
The *2008–2009 Report on Plans and Priorities* identifies some new initiatives and ongoing responsibilities that form the core elements of OSFI's program delivery, and will enable OSFI to maintain its position as a world-class prudential regulator into the future. In meeting these goals, OSFI will continue to contribute to a strong and prosperous Canadian financial system, a system in which Canadians can put their reliance and their trust.

Management Representation Statement

I submit for tabling in Parliament, the 2008-2009 Report on Plans and Priorities for the Office of the Superintendent of Financial Institutions (OSFI).

This document has been prepared based on the reporting principles contained in the *Guide to the Preparation of Part III of the 2008-2009 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- it adheres to the specific reporting requirements outlined in the Treasury Board of Canada Secretariat guidance;
- it is based on OSFI's strategic outcomes and program activities that were approved by the Treasury Board;
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved planned spending numbers from the Treasury Board of Canada Secretariat.



Julie Dickson
Superintendent

OSFI's Raison d'être

OSFI supervises and regulates all federally incorporated or registered deposit-taking institutions (e.g., banks), life insurance companies, property and casualty insurance companies, and federally regulated private pension plans.

OSFI safeguards depositors, policyholders and private pension plan members by enhancing the safety and soundness of federally regulated financial institutions and private pension plans. The work of OSFI contributes to the confidence of Canadians in Canada's financial system.

The Office of the Chief Actuary (OCA) is a separate unit within OSFI. The OCA provides high-quality, timely advice on the state of various public pension plans and on the financial implications of options being considered by policy makers. The work of the OCA contributes to the confidence of Canadians in Canada's public retirement income system.

Organizational Information

Mandate

OSFI's legislated mandate was established in 1996 and changes are not expected in the 2008-2011 planning period. Under the legislation, OSFI's mandate is to:

- Supervise federally regulated financial institutions and private pension plans to determine whether they are in sound financial condition and meeting minimum plan funding requirements respectively, and are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take, or require management, boards or plan administrators to take, necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

OSFI's legislation says that, even though regulation and supervision reduce the risk of failure, regulation and supervision have to be carried out recognizing that institutions are run by their management and boards, that they carry on business in a competitive environment that requires them to manage risk, but that they can face financial and funding problems that can lead to their failure.

Long-Term Business Priority

For this planning cycle, OSFI has formally added a Long-Term Business Priority to its planning processes, which is:

We will focus on the changing risk environment by:

- *Improving our ability to understand the changing risk environment and how it might affect financial institutions and pension plans;*
- *Using that increased understanding to adjust our supervisory and regulatory expectations of financial institutions and pension plans.*

To achieve our Long-Term Priority, OSFI recognizes that:

Our employees are key to our success.

The Long-Term Priority is intended to help OSFI prioritize its work according to risks. OSFI's core work continues to be important and will contribute to meeting the Long-Term Priority.

Governance and Accountability

OSFI's accountability framework is made up of a variety of elements. OSFI participates in established international reviews jointly led by the World Bank/International Monetary Fund to determine whether OSFI is meeting internationally established principles for prudential regulators. OSFI regularly conducts anonymous surveys of knowledgeable observers[1] on its operations, consults extensively on its regulatory rules before they are finalized, issues an annual report and has its financial statements audited annually by the Auditor General. Related reports are disclosed on OSFI's web site.

OSFI's internal audit group conducts assurance audits based on a comprehensive five-year risk-based plan. Audit results are reviewed by the Executive and OSFI's Audit Committee at regularly scheduled meetings. (OSFI strengthened its Audit Committee in 2005-2006 by appointing four independent members. For more information on OSFI's Audit Committee, visit About OSFI/Audit Committee on OSFI's web site.)

The Office of the Chief Actuary (OCA) was established within the organization as a separate unit to provide actuarial and other services to the Government of Canada and provincial governments, which are Canada Pension Plan (CPP) stakeholders. The accountability framework for the OCA, as established by OSFI, makes clear that the Chief Actuary is solely responsible for actuarial opinions made by the Office. More information is available on OSFI's web site under the Office of the Chief Actuary.

[1] Knowledgeable observers are defined to meet the parameters of each specific consultation undertaken. In general, these are senior executives and professionals representing the stakeholder group

Key Partners

OSFI works with a number of key partners in advancing its strategic outcomes. Together, these departments and agencies constitute Canada's network of financial regulation and supervision and provide a system of deposit insurance. On a federal level, partnering organizations include the Department of Finance (www.fin.gc.ca), the Bank of Canada (www.bank-banque-canada.ca), the Canada Deposit Insurance Corporation (www.cdic.ca), the Financial Consumer Agency of Canada (www.fcac-acfc.gc.ca), and the Financial Transactions and Reports Analysis Centre of Canada (www.fintrac.gc.ca), among others.

In addition, OSFI collaborates with certain provincial and territorial supervisory and regulatory agencies, as necessary, and with private-sector organizations and associations, particularly in rule making. OSFI plays a key role in the International Association of Insurance Supervisors (www.iaisweb.org) and international organizations such as the Basel Committee on Banking Supervision (www.bis.org/bcbs/index.htm).

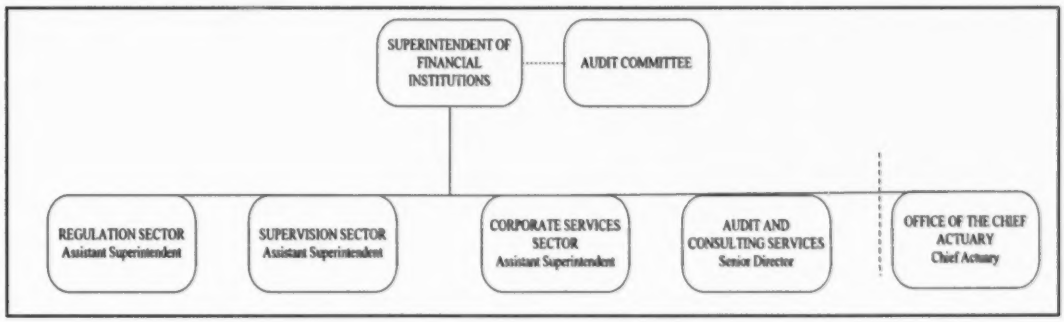
Maintaining good relationships with these organizations is critical to OSFI's success. OSFI reviews, on an annual basis, its involvement with these organizations to ensure it is maximizing the effective use of resources.

Organizational Structure

OSFI comprises three sectors, each headed by an Assistant Superintendent. Each sector works interdependently to achieve OSFI's strategic outcomes. In addition, there is an independent Internal Audit and Consulting function that reports directly to the Superintendent.

The Office of the Chief Actuary (OCA), a separate unit within OSFI, provides effective actuarial and other services to the Government of Canada and provincial governments that are Canada Pension Plan (CPP) stakeholders.

OSFI Organization Chart, as at December 31, 2007



Program Activity Architecture

In 2005, OSFI developed a new Program Activity Architecture, and began reporting on that basis in the Report on Plans and Priorities and the Departmental Performance Report in 2006.

Strategic Outcome	Program Activities
1. To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.	1.1 Regulation and Supervision of Federally Regulated Financial Institutions
	1.2 Regulation and Supervision of Federally Regulated Private Pension Plans
	1.3 International Assistance
2. To contribute to public confidence in Canada's public retirement income system.	2.1 Office of the Chief Actuary

Financial Information

Background

OSFI recovers its costs from several revenue sources. Costs for risk assessment and intervention (supervision), approvals and rule making are charged to the financial institutions and private pension plans that OSFI regulates and supervises.

The amount charged to individual institutions for OSFI's main activities of supervision, approvals and rule making is determined in several ways. In general, the system is designed to allocate costs based on the approximate amount of time spent supervising and regulating institutions. As a result, well-managed, lower-risk institutions bear a smaller share of OSFI's costs.

Specific user fees cover costs for certain approvals. Problem (staged) institutions are assessed a surcharge approximating the extra supervision resources required. Service charges apply to new applicants that are not subject to a base assessment and for rulings, interpretations, capital quality confirmations and copies of corporate documents, which are often resource intensive.

OSFI also receives revenues for cost-recovered services. These include revenues from the Canadian International Development Agency (CIDA) for international assistance, revenues from provinces for which OSFI does supervision on contract, and revenues from other federal agencies for which OSFI provides administrative support. Effective 2002-2003 to October 31, 2007, cost-recovered services revenue also included amounts charged separately to major banks for the implementation of the internal ratings-based approach of the New Basel Capital Accord. These cost-recovery Memoranda of Understanding expired on November 1, 2007 and any ongoing Basel II costs are now recovered through base assessments.

The remainder of the costs of risk assessment and intervention, approvals and rule making are recovered through base assessments against institutions and private pension plans fees according to various formulae.

The Superintendent can impose monetary penalties in respect of specific violations, as designated in the schedule to the *Administrative Monetary Penalties (OSFI) Regulations,* including penalties from financial institutions that submit late and/or erroneous financial and non-financial returns. These penalties are billed quarterly, collected and remitted to the Consolidated Revenue Fund. By regulation, OSFI cannot use these funds, which are recorded as non-respendable revenue, to reduce the amount that it assesses the industry in respect of its operating costs.

The Office of the Chief Actuary is funded by fees charged for actuarial services and in part by an annual parliamentary appropriation for services to the Government of Canada related to public pensions.

OSFI's financial statements are prepared using Generally Accepted Accounting Principles (GAAP), are audited annually by the Office of the Auditor General and are published in OSFI's Annual Report. OSFI's annual reports can be accessed on OSFI's web site under About OSFI / Reports / Annual Reports.

NOTE: OSFI follows the accrual basis of accounting and the financial tables are reported on a modified cash basis of accounting, in accordance with Treasury Board requirements. Hence, there are differences between OSFI's audited financial statements and the tables contained herein. Typically the differences result from variations in the treatment of capital expenditures and accounts receivable between the two accounting bases.

Financial Tables

In accordance with the Treasury Board Secretariat's *Guide to the Preparation of Part III of the 2008-2009 Estimates*, the financial and human resources presented in this Report on Plans and Priorities reflect OSFI's approved Annual Reference Level Update (ARLU) estimates, which were prepared in early summer 2007. More recent events in the global financial system are requiring that OSFI direct more resources on enhanced identification of emerging risks and on monitoring institutional and market resilience to the turmoil. OSFI's capacity to proactively monitor these emerging risks and assess their impact on the financial institutions and pension plans that it regulates is under review and may result in increases to the resource levels presented in the following tables, particularly in the Supervision Sector. At time of writing this Report on Plans and Priorities, OSFI was completing its business planning process for 2008-2009 to 2010-2011. Any changes as a result will be reflected in next year's Report on Plans and Priorities.

OSFI continues to re-evaluate its programs to ensure that they contribute to OSFI's mandate and are efficiently managed. In so doing, OSFI has been successful at minimizing ongoing operating cost increases and at judiciously managing its human resources in optimal ways.

Summary Information

Resources

Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$93.7	$102.9	$100.7

Human Resources Average Full-Time Equivalents (FTEs)

2008-2009	2009-2010	2010-2011
471	467	467

More financial tables follow:
Page 15 ..... Voted and Statutory Items Displayed in the Main Estimates
Page 16 ..... OSFI Planned Spending and Average Full-Time Equivalents

Additional financial tables are located on the Treasury Board of Canada's web site:
Table 5 ..... Services Received Without Charge
Table 6 ..... Sources of Respendable and Non-respendable Income
Table 7 ..... Summary of Capital Spending by Program Activity

Voted and Statutory Items Displayed in the Main Estimates

This table summarizes Parliament's voted appropriation and the statutory provision for the spending of revenues arising out of the operations of the Office.

OSFI receives an annual parliamentary appropriation pursuant to section 16 of the *OSFI Act* to support its mandate relating to the Office of the Chief Actuary. This parliamentary appropriation is to defray the expenses associated with the provision of actuarial services to various public sector employee pension and insurance plans, including the Canadian Armed Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament.

Subsequent to the tabling of the 2007-2008 Main Estimates, OSFI's appropriation for that fiscal year was increased from $784 thousand to $873 thousand for adjustments granted by the Treasury Board related to collective agreements for the Office of the Chief Actuary. The planned decrease in OSFI's appropriation to $853 thousand in 2008-2009 is due to non-recurring adjustments that are included in the 2007-2008 appropriation of $873 thousand.

Pursuant to section 17(2) of the *OSFI Act* under statutory provision OSFI may spend any revenue arising out of the operations of the Office.

Voted and Statutory Items Displayed in the Main Estimates

Vote Item	($ thousands)	2007-2008 Main Estimates	**2008-2009 Main Estimates**
30	Program expenditures	784	**853**
(S)	Spending of revenues pursuant to subsection 17(2) of the *Office of the Superintendent of Financial Institutions Act* (R.S., 1985, c. 18 (3rd Supp.))	0	**0**
	Total Agency	784	**853**

OSFI Planned Spending and Average Full-Time Equivalents

Total gross Budgetary Main Estimates are planned to increase by 5.0% from 2007-2008 to 2008-2009, due primarily to the increase in human resources and the full-year impact in 2008-2009 of employees hired during 2007-2008, normal inflationary and merit adjustments and continued annual capital investments in information systems related to: changes in Accounting Rules and Standards and the Minimum Continuing Capital Surplus Requirement (MCCSR); supporting the Private Pension Plans program; and a significant version upgrade to OSFI's Electronic Document Management System.

Total gross Budgetary Main Estimates are planned to increase by 9.8% from 2008-2009 to 2009-2010, due primarily to the renewal of OSFI's Toronto office lease at market rates, which are estimated to be 65% higher than the current lease (which was negotiated in 1994). Coinciding with the lease renewal, OSFI is also planning an accommodation retrofit in Toronto in order to utilize its space more efficiently and align its accommodation standards more closely to those established by Public Works and Government Services Canada. The decrease in 2010-2011 is largely due to the completion of the accommodation retrofit in the preceding year, partially offset by increases associated with normal inflationary and merit adjustments.

The Total Forecast Spending for 2007-2008 is $873 thousand. The slight decrease to $853 thousand in 2008-2009 and beyond is due to non-recurring items in the previous year (refer to the Voted and Statutory Items section on the previous page).

OSFI's total planned spending and average full-time equivalent (FTE) complement over the three-year planning period are displayed in this table.

($ thousands)	Forecast Spending 2007-2008	**Planned Spending 2008-2009**	Planned Spending 2009-2010	Planned Spending 2010-2011
Regulation and supervision of federally regulated financial institutions	$75,473	**$79,615**	$88,222	$85,714
Regulation and supervision of federally regulated private pension plans	6,262	**6,521**	6,794	6,947
International Assistance	2,159	**1,901**	1,986	2,021
Office of the Chief Actuary (OCA)	5,324	**5,665**	5,911	6,060
Budgetary Main Estimates (gross)	89,218	**93,702**	102,913	100,742
Non-Budgetary Main Estimates (gross)	0	**0**	0	0
Less: Respendable revenue	88,345	**92,849**	102,060	99,889
Total Main Estimates	784	**853**	853	853

($ thousands)	Forecast Spending 2007-2008	**Planned Spending 2008-2009**	Planned Spending 2009-2010	Planned Spending 2010-2011
Adjustments:	89	**0**	0	0
Total Adjustments	89	**0**	0	0
Total Planned Spending	873	**853**	853	853
Total Planned Spending	873	**853**	853	853
Less: Non-respendable revenue	212	**450**	450	450
Plus: Cost of services received without charge	100	**100**	100	100
Total Agency Spending	$761	**$503**	$503	$503

Average Full-Time Equivalents	459	**471**	467	467

Priorities

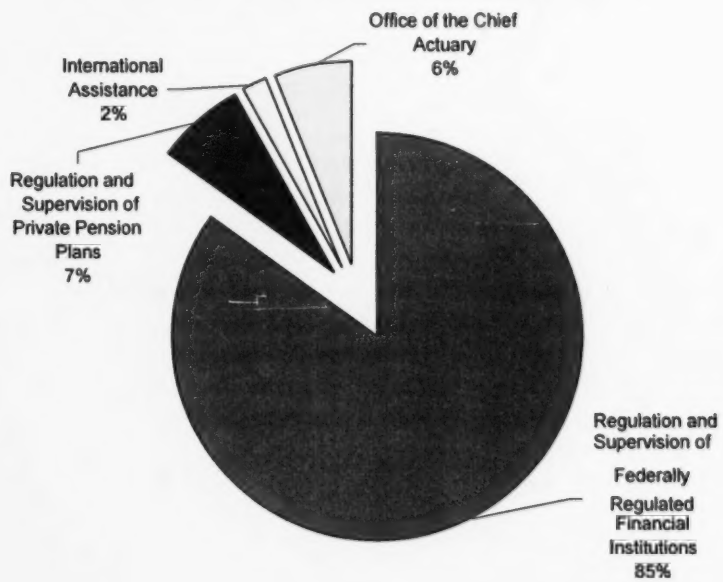
OSFI's priorities include its key ongoing responsibilities, as required to meet its mandate, as well as specific program and management priorities.

Key Ongoing Responsibilities	Type
1.1 Regulation and Supervision of Federally Regulated Financial Institutions	Ongoing
1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Ongoing
1.3 International Assistance	Ongoing
2.0 Office of the Chief Actuary	Ongoing
Management and Program Priorities	**Type**
A. Enhanced Identification of Emerging Risks	New
B. Institutional and Market Resilience	New
C. Changes to International Financial Reporting Standards (IFRS)	Previously committed
D. Minimum Continuing Capital Surplus Requirement (MCCSR)	Previously committed
E. Financial Sector Assessment Program (FSAP)/ Financial Action Task Force (FATF) Reviews	Previously committed
F. Basel II Capital Accord – Post-Implementation Phase	Previously committed
G. People	Previously committed
H. Pensions Systems and Processes	Previously committed

Program Activities by Strategic Outcome

Strategic Outcome	Program Activities	Planned Spending ($ millions)		
		2008-2009	2009-2010	2010-2011
1. To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.	1.1 Regulation and Supervision of Federally Regulated Financial Institutions	$79.6	$88.2	$85.7
	1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	$6.5	$6.8	$6.9
	1.3 International Assistance	$1.9	$2.0	$2.0
2. To contribute to public confidence in Canada's public retirement income system.	2.1 Office of the Chief Actuary	$5.7	$5.9	$6.1

Spending Profile by Program Activity 2008-2009 ($ millions)


Office of the Chief Actuary 6%
International Assistance 2%
Regulation and Supervision of Private Pension Plans 7%
Regulation and Supervision of Federally Regulated Financial Institutions 85%

Program Activities by Strategic Outcome

	Expected Results	Planned Spending ($ millions)			
		2008-2009	2009-2010	2010-2011	Planned spending includes resources related to the following priorities
Strategic Outcome 1 *Regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.*					
Program Activity 1.1 Regulation and supervision of federally regulated financial institutions	Protect depositors and policyholders while recognizing that all failures cannot be prevented.	$79.6	$88.2	$85.7	
Sub-activity 1.1.1 Risk assessment and intervention	Accurate risk assessments.	$54.7	$60.4	$58.8	Priorities A, B, E, F and G
Sub-activity 1.1.2 Rule making	Regulations, Guidelines and other rules that balance prudential considerations and the need for institutions to compete.	$16.4	$18.3	$17.7	Priorities C, D, E, F and G
Sub-activity 1.1.3 Approvals	Regulatory approvals result in prudentially sound decisions that are transparent.	$8.5	$9.5	$9.2	Priority G
Program Activity 1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Protect the financial interests of federally regulated private pension plan members and beneficiaries.	$6.5	$6.8	$6.9	Priority G and H
Program Activity 1.3 International Assistance	Emerging market economies are more informed about current approaches to regulatory and supervisory systems, and deploy them to the extent possible.	$1.9	$2.0	$2.0	Priority G

	Expected Results	Planned Spending ($ millions)			
		2008-2009	2009-2010	2010-2011	Planned spending includes resources related to the following priorities
Strategic Outcome 2 *Contribute to public confidence in Canada's public retirement income system.*					
Program Activity 2.1 Office of the Chief Actuary	Stewards of Canada's public retirement income system are provided with professional actuarial services and advice in regard to the Canada Pension Plan (CPP) and federally legislated public pension and benefit plans.	$5.7	$5.9	$6.1	Priority G

Note: Internal Services are considered part of every Program Activity. Internal Services consist of Management and Oversight, Human Resources Management, Financial Management, Supply Chain Management, Facilities/Asset Management, Information Management, Information Technology, Legal, Public Affairs/Communications, Evaluation, Internal Audit and Other Support Delivery Services.

Operating Environment

Regulated Entities

OSFI supervises and regulates all federally incorporated or registered deposit-taking institutions (e.g., banks), life insurance companies, property and casualty insurance companies, and federally regulated private pension plans. These 1,785 organizations managed a total of $3,375 billion of assets (as at March 31, 2007).

Federally Regulated Financial Institutions and Private Pension Plans & Related Assets

	Deposit-Taking Institutions	Life Insurance Companies	Property & Casualty Companies	Private Pensions Plans	Total
Number of organizations	148	114	191	1,332	1,785
Assets $B	2,679	463	103	130	3,375

OSFI also undertakes supervision of provincially incorporated financial institutions on a cost-recovery basis under contract arrangements with some provinces. Additional detail may be found on OSFI's web site under About OSFI / Who We Regulate.

Key Risks and Threats

Due to the growing demand for Canadian commodities, particularly from Asia, the Canadian economy is operating at full capacity. Unemployment is at historical lows, inflation is under control, and the price of the Canadian dollar in American dollars is close to parity. The consensus view is one of continued growth of the Canadian economy, albeit with serious downside risks. Canada is the only G7 country experiencing both a budget surplus and a merchandise trade surplus. The strong Canadian dollar has created difficulties for a number of export sectors, particularly manufacturing and cross-border tourism. The major downside risk to the Canadian economy is a serious economic downturn.

Pressures on the balance sheets of the large money-centre banks and broker-dealers from off-balance sheet conduits, leveraged buyout loans, and stalled structured finance transactions raise risks that could generate a lack of confidence in the Canadian economy.

The turmoil in financial markets, which began in the spring of 2007 in the U.S. subprime market and quickly spread to financial markets everywhere, demonstrated once again that financial markets around the globe are inextricably linked. Central banks were called upon to provide liquidity in support of the efficient functioning of money markets. They continue to closely monitor financial market developments and the need for the provision of liquidity. At the same time, regulators of financial institutions have been closely monitoring the balance-sheet and off-balance-sheet activities of regulated financial institutions. By and large, the banking system internationally is weathering the crisis, albeit with many incurring costs, some significant, others, less so.

As the adjustments in financial markets unfold, OSFI continues to closely monitor Canadian banks and to work with the Bank of Canada and other regulators to promote the resilience of the Canadian financial system. Continued vigilance by all financial market participants is called for, not only as market dislocations run their course, but on an ongoing basis.

The US has recently made statements of importance on International Financial Reporting Standards. The Securities and Exchange Commission will accept IFRS financial statements without reconciliation to US GAAP starting in 2008. As well, US Accounting Standards Board Chairman, Bob Hertz, has recently spoken on the US not just converging with IFRS but how to move towards adopting IFRS.

The decision of the Canadian Accounting Standards Board to adopt international accounting standards by 2011 will mean that a separate and distinct Canadian GAAP will cease to exist. As financial institutions will be required to adhere to these new standards, these accounting standard changes will require analysis by OSFI for impacts to our policies, legislation, data collection and reporting. OSFI will continue to have close discussions with accounting standard setting bodies, industry associations and specific institutions as we determine the impacts to these areas.

Canadian banks began implementation of Basel II in November 2007. OSFI expects to continue working closely with Canadian banks and international counterparts to ensure integration of the

Accord into the business processes of the banks. The Accord will result in more risk-sensitive measures of capital.

Enterprise Risk Management
The environment within which OSFI operates presents an array of challenges to the achievement of its mandate and objectives. While many of these challenges are consistently present, the extent to which they present a risk to OSFI's objectives varies, depending on economic and financial conditions and the financial industry environment. OSFI's ability to achieve its mandate depends on the timeliness and effectiveness with which it identifies, evaluates, prioritizes, and develops initiatives to address areas where its exposure is greatest. To that end, in the fall of 2007, OSFI's Executive instituted changes to the organization's risk management process to ensure greater timeliness of information and greater focus on our most critical areas (the work that we do and the skill sets needed by our employees). Quarterly updates to the Executive will now be embedded in OSFI's Enterprise Risk Management process.

OSFI's Enterprise Risk Management (ERM) framework divides risks into external and internal categories. The external risk category consists of economic and financial conditions, the financial industry environment, OSFI's legal environment and catastrophic events. External risks arise from events that OSFI cannot influence, but must be able to monitor in order to mitigate the impact. The internal risk category consists of risks that can broadly be categorized as people, processes, systems, and culture.

OSFI's ERM program has identified several key risks to the achievement of its mandate and objectives.

External Risks

Shocks to the economy and cyclicality in the industry
Various events over the past few years have focussed the attention of financial institutions and their regulators on their ability to respond adequately in a crisis, both from a prudential and a human resources perspective. The turmoil being experienced by financial markets around the world, which began in the spring of 2007 as a result of the U.S. subprime mortgage market, will cause OSFI, like all global financial regulators, to continue to closely monitor the balance-sheet and off-balance-sheet activities of regulated financial institutions. Also, financial institutions face risks as a result of changes in the economic environment. For example, an economic downturn could stretch OSFI's resources and affect its ability to supervise effectively and intervene in a timely fashion.

Basel II Capital Accord
The new international capital framework will have major implications for financial institutions and OSFI. In particular, the new framework encourages larger banks to use enhanced risk-based measures of business performance to drive their internal assessment of capital needs.

The new capital framework and events in the market also require banks and regulators to focus more on the measurement of risks and its relation to the overall level of capital adequacy. Due to the scale and novelty of this undertaking, there is a risk that review work for Basel II implementation will continue to require more resources than expected by both financial institutions and OSFI, in order to understand the performance of new Basel-related systems over time.

Accounting
The Canadian Accounting Standards Board has decided to adopt international financial reporting standards (IFRS) in 2011. This will have an impact both on OSFI, as it relies on audited financial information, and the institutions it regulates. Key accounting changes will affect insurance, consolidation, business combinations, financial instruments, revenue recognition and measurement of fair value. As a reliance-based regulator, it is crucial that OSFI understand the implications of changes to financial statements to perform accurate risk assessments of financial institutions.

Minimum Continuing Capital Surplus Requirement (MCCSR)
The International Association of Insurance Supervisors (IAIS) is revising its capital framework to make capital requirements more risk sensitive. There is a need to develop more advanced risk measurement techniques to be incorporated into the MCCSR, while maintaining the integrity of the existing capital test. At the same time, the current MCCSR should be maintained as a fallback approach for life insurance companies that do not use models, yet be updated to reflect changes in accounting and actuarial standards that affect the measurement of risk and available capital. To date, Canada has been at the forefront of insurance regulation; adjustments to MCCSR will be necessary to ensure that OSFI can maintain its position among the international leaders in this field.

Internal Risks

People Risks
The financial industry is becoming more complex. OSFI must have staff with sufficient skills to regulate and supervise financial institutions and identify significant issues. In addition, there is a need for continuous learning to meet the challenge of a changing environment. OSFI's staffing levels have reflected a very strong economic environment for financial institutions in general over the past several years. Changes in that environment may require additional staffing, particularly if more than one sector is affected, e.g., banks, trust companies, property and casualty companies, life insurance companies and private pension plans.

Attracting, motivating, developing and retaining skilled staff is a top priority for OSFI, particularly the ability to attract and retain staff whose skills are in demand in the financial sector. If OSFI does not place the right resources on the right task, it could constrain OSFI's ability to perform accurate risk assessments and perform effective interventions, if required. This risk is exacerbated by the increased risk of changes to the economy.

Pensions Systems and Processes

The changing external environment for pensions, which includes increasing complexity of the work and a litigious environment, demands greater skill on the part of OSFI staff. At the same time, OSFI's internal pensions information system is being upgraded and certain elements such as the adequacy of controls may need to be reviewed. OSFI has started to address both the staff and systems issues, but work in these areas is not complete. The long time lines for approvals have also been shortened, but further work needs to be done to ensure that delays do not result in reputational risk to OSFI.

Program Delivery

OSFI has a number of key ongoing responsibilities that it must perform to meet its mandate. In addition, in response to the risks and threats that were identified above, OSFI has identified eight program and management priorities. These priorities and ongoing responsibilities are tied to the program activities OSFI undertakes and contribute directly towards achieving OSFI's strategic outcomes. Together these form the main elements of OSFI's program delivery.

PROGRAM	PRIORITIES	DESCRIPTION
PROGRAM PRIORITIES		
Program Activity 1.1: Regulation and Supervision of Federally Regulated Financial Institutions		
1.1.1 Program Sub-Activity: Risk Assessment and Intervention	**Ongoing Responsibility - Risk Assessment and Intervention** Accurate risk assessments of financial institutions and timely, effective intervention and feedback.	• Operate an effective prudential supervisory system by allocating resources to higher risk/impact institutions or activities. • Conduct timely risk assessments and interventions and provide clear reports and recommendations to FRFIs. • Recommend appropriate changes in FRFI practices and processes.
	Priority A – Enhanced Identification of Emerging Risks Increase resources and enhance processes to improve OSFI's ability to identify, monitor and report on emerging risks to Canada's financial system and federally regulated financial institutions.	• Enhance monitoring systems, increase our Knowledge of Business[2] and strengthen information sharing, both internally and externally. • Place more emphasis on comparative reviews. • Conduct reviews of industry practices in four areas: securitization, liquidity management, stress testing of the credit book, and valuation of illiquid products. • Conduct a review in the life insurance sector related to commercial real estate and in the banking sector related to US commercial real estate.

[2] Knowledge of Business refers to the development of an understanding of an institution's environment, industry and business profile, which provides the basis for identifying activities that are significant to the achievement of an institution's business objectives.

PROGRAM	PRIORITIES	DESCRIPTION
	Priority B - Institutional and Market Resilience Participate in international discussions about key issues arising from global market turmoil. Work with FISC partners on similar issues in Canada.	• Participate in international discussions (already underway), with the Financial Stability Forum and the Basel Committee on Banking Supervision to identify and discuss key areas arising from global market turmoil. • Domestically, continue to liaise with FISC partners on similar issues in the Canadian context. • Conduct a tabletop exercise focussed on the life insurance sector in 2008.
	Priority E - Financial Sector Assessment Program (FSAP)/Financial Action Task Force (FATF) Reviews Respond to suggestions or recommendations in the Financial Sector Assessment Program (FSAP) report and the Financial Action Task Force (FATF) report.	• Respond to suggestions in the FSAP report. • Respond to any recommendations in the FATF report related to Anti-Money Laundering and Anti-Terrorist Financing by: o Working with the Department of Finance and FINTRAC on changes to improve preventative measures in Canada; o Participating in standard setting by the FATF; o Revising Guideline B-8 in light of the passage of Bill C-25, AML/ATF assessments conducted since 2004 and results of the Mutual Evaluation Report (MER) process.
	Priority F - Basel II Capital Accord – Post-Implementation Phase Monitor Basel II systems and review banks' capital adequacy assessment processes and relevant policies.	• Focus on monitoring the performance of recently implemented Basel II systems. • Continue validation work for Pillar 1 credit risk. • Perform more detailed review work of banks' internal capital adequacy assessment processes as part of the ongoing review of Pillar 2. • Policy work in this area will examine the target capital policy for risk ratios and floors based on Basel II use and experience.
1.1.2 Program Sub-Activity: Rule Making	**Ongoing Responsibility - Rule Making** A balanced, relevant regulatory framework of guidance and rules that meets or exceeds international minimums.	• Communicate and consult effectively with financial institutions and the industry during the rule development process. • Contribute effectively to international regulation and standard setting.

PROGRAM	PRIORITIES	DESCRIPTION
	Priority C – Changes to International Financial Reporting Standards (IFRS) Implement the move from Canadian GAAP to International Financial Reporting Standards (IFRS).	• Determine the implications for OSFI as Canadian financial institutions move to IFRS. • Create a project infrastructure to identify impacts and assess policy requirements. • Address data collection reporting and support systems.
	Priority D – Minimum Continuing Capital Surplus Requirement (MCCSR) Develop and agree on a capital framework for life insurance companies over the next four years.	• Develop implementation criteria for risk-sensitive methodologies and internal models. Interest rate risk will be addressed first, followed by credit risk, and then other risks. • Adjust the current MCCSR in light of the introduction of IFRS in 2011.
1.1.3 Program Sub-Activity: Approvals	**Ongoing Responsibility - Approvals** A prudentially effective, balanced and responsive approvals process.	• Operate a timely, clear and transparent approvals process for legislative and non-legislative approvals.
Program Activity 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans		
	Ongoing Responsibility - Pensions Accurate risk assessments of pension plans; timely and effective intervention and feedback; a balanced relevant regulatory framework; a prudentially effective and responsive approvals process.	• Conduct timely risk assessments and interventions and provide clear reports and recommendations to supervised plans. • Communicate and consult constructively and effectively with the pension plan industry during the development of regulations, rules and other guidance. • Operate a timely, clear and transparent approvals process for private pension plans. • Work closely with the Department of Finance in the development of proposals for, and the analysis of, any changes to federal legislation that could impact federally regulated pensions. • Monitor and determine the implications of court decisions affecting private pension plans.

PROGRAM	PRIORITIES	DESCRIPTION
	Priority H – Pension Systems and Processes Enhance OSFI's ability to perform as required in an increasingly complex pensions environment.	• Continue to accelerate the pension approval process. • Develop a supervisory framework for pension plans and supporting supervisory practices. • Upgrade the internal information technology system.
Program Activity 1.3: International Assistance		
	Ongoing Responsibility – International Assistance Contribute to awareness and improvement of supervisory and regulatory practices for selected foreign regulators through the operation of an International Assistance Program.	• Provide technical assistance with on-site examination processes, legislative drafting, development /organization of supervisory agencies, risk-based capital regimes and improving supervision systems. • Work to improve supervisory cooperation and coordination amongst supervisors. • Assist selected jurisdictions in preparing their Financial Sector Assessment Program self-assessment.
Program Activity 2.1: Office of the Chief Actuary (OCA)		
	Ongoing Responsibility – Office of the Chief Actuary Contribute to financially sound federal government public pension and other programs through the provision of expert actuarial valuation and advice.	• Provide high-quality and timely reports such as: triennial Actuarial Reports in respect of the Canada Pension Plan (CPP), the Old Age Security program, and federal public sector employee pension and insurance plans established under various acts. • Prepare actuarial reports that are tabled in Parliament in respect of the CPP, for example, when certain bills are introduced and when amendments are made to certain other public sector pension plans. • Undertake the actuarial review of the Canada Student Loans Program.

PROGRAM	PRIORITIES	DESCRIPTION
MANAGEMENT PRIORITIES		
	Ongoing Responsibility – Program Support, Human Resources and Financial Management	• High-quality internal governance and related reporting. • Resources and infrastructure necessary to support supervisory and regulatory activities.
	Priority G – People Ensure OSFI has the human resources available to fulfill its mandate, through better long-range, integrated planning.	• Enhance OSFI's ability to proactively identify changing human resource requirements, ensure timely availability of staff, and allocate available resources to identified risks and priorities. • Continue enhancements to our business planning process; continue preparing and implementing a framework for HR development and management in Supervision; continue the 360-degree review process of executive leadership for new entrants.

SECTION II

ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Analysis by Program Activity

OSFI's ongoing activities consist of the regulation and supervision of federally regulated financial institutions, regulation and supervision of federally regulated private pension plans, international assistance, and provision of actuarial valuation and advice to the federal government. These Program Activities, and select Sub-Activities, support OSFI's two Strategic Outcomes.

This section identifies the financial and human resources allocated to OSFI's program activities and related program priorities, as well as the relevant performance expectations and measures. Program support costs such as information technology, finance and administration have been allocated to the programs based on human resources costs and are included in these numbers. The management priority related to program support is described in Section IV.

Strategic Outcome 1

Regulate and Supervise to Contribute to Public Confidence in Canada's Financial System and Safeguard from Undue Loss

1.1 Program Activity: Regulation and Supervision of Federally Regulated Financial Institutions[3]

As mentioned previously, this program is central to OSFI achieving its mandate. It is the largest program activity within OSFI, utilizing the bulk of our financial and human resources. Costs for this program are recovered through assessments, service charges, and user fees paid by the federally regulated financial institutions. Costs are also recovered via Memoranda of Understanding, as "cost-recovered services" (refer to page 12 for more details).

(1.1) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$79.6	$88.2	$85.7

(1.1) Human Resources Average Full-Time Equivalents (FTEs)

2008-2009	2009-2010	2010-2011
389	386	386

Program Activity 1.1 is supported by three interrelated Sub-Activities: Risk Assessment and Intervention, Rule Making and Approvals. The related priorities, expected results and performance measures are identified under each of the three Program Sub-Activities.

[3] In accordance with the Treasury Board Secretariat's *Guide to the Preparation of Part III of the 2008-2009 Estimates*, the financial and human resources presented in this RPP reflect OSFI's approved Annual Reference Level Update (ARLU) estimates, prepared in early summer 2007. Recent events in the global financial system require that OSFI direct more resources to enhanced identification of emerging risks and to monitoring institutional and market resilience to the turmoil. OSFI's capacity to proactively monitor these emerging risks and their impact on the financial institutions and pension plans that it regulates is under review and may result in increases to the resource levels indicated above, particularly in the Supervision Sector. At time of writing, OSFI was completing its business planning for 2008-2009 to 2010-2011. Changes will be reflected in next year's RPP.

1.1.1 Program Sub-Activity: Risk Assessment and Intervention	
Description	Monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues and risks. Intervene in a timely manner to protect depositors and policyholders while recognizing that OSFI cannot eliminate the possibility of failures.
Related Priority	**Ongoing responsibility** • Accurate risk assessments of financial institutions and timely, effective intervention and feedback. **Priority A – Enhanced Identification of Emerging Risks** • Enhance internal processes to improve OSFI's ability to identify, monitor and report on emerging risks to Canada's financial system and the federally regulated financial institutions that operate within it. **Priority B - Institutional and Market Resilience** • Participate in international discussions about key areas arising from the period of market turmoil. Domestically, review selected guidance, plan targeted cross-sector reviews, and liaise with FISC members on issues of concern. **Priority E - Financial Sector Assessment Program (FSAP)/Financial Action Task Force (FATF) Reviews** • Respond to suggestions or recommendations in the Financial Sector Assessment Program (FSAP) report and the Financial Action Task Force (FATF) report **Priority F - Basel II Capital Accord –Post-Implementation Phase** • Monitor banks' transition to Basel II. • Review capital adequacy assessment processes and relevant policies.
Expected Results	**Ongoing responsibility** • Protect depositors and policyholders from undue loss while recognizing that all failures cannot be prevented. • Provide an accurate overall assessment of the risk profile and control functions of the financial institutions it regulates and supervises. • Produce timely risk assessments and management reports. **Priority A – Enhanced Identification of Emerging Risks** • Enhanced process for identifying market-related issues and emerging risks and assessing their impact on FRFIs. **Priority B - Institutional and Market Resilience** • Respond in a timely fashion, and consistent with the Canadian context, to recommendations arising from ongoing international discussions to identify and discuss the key areas arising from global market turmoil. **Priority E - Financial Sector Assessment Program (FSAP)/Financial Action Task Force (FATF) Reviews** • Respond in a timely manner to any recommendations affecting OSFI which arise from the FSAP. • Respond in a timely manner to any recommendations affecting OSFI which arise from the FATF. **Priority F - Basel II Capital Accord –Post-Implementation Phase** • OSFI's supervisory activities include monitoring of the performance of Basel II systems and processes for approved approaches. • OSFI initiates reviews of capital adequacy assessment processes and relevant policies. • OSFI develops a policy position for target capital ratios and risk floors.

Performance Measure(s)	**Ongoing responsibility** • Estimated recoveries on failed institutions. • Knowledgeable observers are of the view that their institution's Composite Risk Rating is appropriate. • Supervisory letters are issued within established targets. **Priority A - Enhanced Identification of Emerging Risks** • Monitoring of FRFIs includes more analysis of the impact of market changes on safety and soundness. • Comparative reviews related to areas of specific risks are completed. **Priority B - Institutional and Market Resilience** • Knowledgeable observers are of the opinion that OSFI responds in a timely manner to market changes or to industry suggestions that regulations and guidance are out of date. **Priority E - Financial Sector Assessment Program (FSAP)/Financial Action Task Force (FATF) Reviews** • Any recommendations actionable by OSFI are addressed within 12 months of receipt of the FSAP report. • Any recommendations actionable by OSFI alone are addressed within 12 months of receipt of the FATF report. **Priority F - Basel II Capital Accord – Transition to Implementation Phase** • Monitoring requirements for approved approaches are developed. • Reviews of selected institutions' internal capital adequacy assessment processes and relevant policies are initiated. • A policy position for target capital levels and risk floors is developed.

(1.1.1) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$54.7	$60.4	$58.8

1.1.2 Program Sub-Activity: Rule Making	
Description	Development of guidance and regulations and input into federal legislation affecting financial institutions. Contribute a regulatory perspective to accounting, auditing and actuarial standards as required. Contribute to the development of international prudential rule-making.
Related Priority	**Ongoing Responsibility** • A balanced, relevant regulatory framework of guidance and rules for financial institutions that meets or exceeds international minimums. **Priority C – Changes to International Financial Reporting Standards (IFRS)** • Implement the move from Canadian GAAP to IFRS. **Priority D – Minimum Continuing Capital Surplus Requirement (MCCSR)** • Develop and agree on a capital framework for life insurance companies, over a five-year period.
Expected Results	**Ongoing Responsibility** • In developing, maintaining and contributing to a regulatory framework that meets or exceeds international minimums, OSFI strikes an appropriate balance between prudential considerations and the need for institutions to compete. • Regulations, guidelines and other rules developed by OSFI are clear and have been scrutinized by industry. • Competitive, prudent capital rules and regulatory return reporting for Canadian FRFIs consistent with economic realities, Basel rules and IAIS guidance for recognizing capital instruments and significant foreign markets. **Priority C – Changes to International Financial Reporting Standards (IFRS)** • OSFI is able to handle revised accounting changes by developing a plan for addressing resulting changes to policies, data collection and reporting while planning to maintain the strategy of using audited financial statement amounts as the starting point for regulatory purposes. **Priority D – Minimum Continuing Capital Surplus Requirement (MCCSR)** • MCCSR guideline that appropriately addresses risks faced by the life insurance industry and provides a sufficient level of capital for the protection of policyholders.
Performance Measure(s)	**Ongoing Responsibility** • Knowledgeable observers are of the view that, in developing regulations, guidelines and other rules, OSFI strikes an appropriate balance between prudential considerations and the need for institutions to compete. • Knowledgeable observers are of the view that regulations, guidelines and other rules developed by OSFI are clear and easy to understand. • Knowledgeable observers are of the view that OSFI is good at consulting with industry on the development of regulations, guidelines and other rules. • Through the identification and communication of well-articulated positions, OSFI's prudential issues related to the development of rules are considered by the relevant Canadian and international committees. OSFI succeeds in having high-priority Canadian issues considered appropriately. **Priority C – Changes to International Financial Reporting Standards (IFRS)** Implementation goes smoothly, based on the following: • Revised capital and/or accounting guidelines and reporting returns are drafted and issued as per planned timelines. **Priority D – Minimum Continuing Capital Surplus Requirement (MCCSR)** • Capital measures implemented are more risk sensitive.

(1.1.2) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$16.4	$18.3	$17.7

1.1.3 Program Sub-Activity: Approvals	
Description	Approvals include those required under the legislation applicable to financial institutions and other approvals for supervisory purposes.
Related Priority	**Ongoing Responsibility** • A prudentially effective, balanced and responsive approvals process.
Expected Results	• OSFI's regulatory approvals result in prudentially sound decisions that are transparent. • Decisions for deemed approvals and for other legislative approvals are completed within specified time limits.
Performance Measure(s)	• Knowledgeable observers understand the basis upon which OSFI makes its decisions as part of the approval process. • Decisions for deemed approvals and for other legislative approvals are processed within established performance standards.

(1.1.3) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$8.5	$9.5	$9.2

1.2 Program Activity: Regulation and Supervision of Federally Regulated Private Pension Plans

1.2 Program Activity: Regulation and Supervision of Federally Regulated Private Pension Plans	
Description	Incorporates risk assessment, intervention, rule making and approvals related to federally regulated private pension plans under the *Pension Benefits Standards Act, 1985*. The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan.
Related Priority	**Ongoing Responsibility** • Accurate risk assessments of pension plans, timely and effective intervention and feedback, a balanced, relevant regulatory framework, and a prudentially effective and responsive approvals process. **Priority H – Pensions Systems and Processes** • Enhance OSFI's ability to perform as required in an increasingly complex pension environment.
Expected Results	**Ongoing Responsibility** • A supervisory program that protects the financial interests of federally regulated pension plan members and beneficiaries. • A balanced and clear regulatory framework of guidance and rules. • A timely and transparent approvals process. **Priority H – Pensions Systems and Processes** • Pension systems and processes adequately facilitate pension supervision and approvals.
Performance Measure(s)	**Ongoing Responsibility** • Recovery on plans terminated under-funded. • Knowledgeable observers are of the view that: o regulations, guidelines and other rules are clear and understandable, and strike an appropriate balance between the interests of plan sponsors and plan members; o the approvals process is transparent: clear and understandable. • Completed applications for regulatory approval are processed within established benchmarks. **Priority H – Pensions Systems and Processes** • Pension system and process changes are implemented according to agreed-upon timelines.

(1.2) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$6.5	$6.8	$6.9

(1.2) Human Resources Average Full-Time Equivalents (FTEs)

2008-2009	2009-2010	2010-2011
38	37	37

1.3 Program Activity: International Assistance

1.3 Program Activity: International Assistance	
Description	This program activity incorporates activities that provide help to other selected countries that are building their supervisory and regulatory capacity. The costs for this program are recovered via Memoranda of Understanding between OSFI and organizations such as the Canadian International Development Agency (CIDA) and the International Monetary Fund (IMF). The costs of this program activity are clearly tracked; however, given the size of this program (less than 5% of OSFI costs), there is only one sub-activity.
Related Priority	**Ongoing Responsibility** • Contribute to awareness and improvement of supervisory and regulatory practices for selected foreign regulators through the operation of an International Assistance Program.
Expected Results	• Emerging market economies are more informed about current approaches to regulatory and supervisory systems.
Performance Measure(s)	• Workshop participants and clients are of the view that the assistance provided by OSFI is relevant to their work. • Workshop participants and clients are of the view that OSFI trainers are competent.

(1.3) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$1.9	$2.0	$2.0

(1.3) Human Resources Average Full-Time Equivalents (FTEs)

2008-2009	2009-2010	2010-2011
6	6	6

Strategic Outcome 2

Contribute to Public Confidence in Canada's Public Retirement Income System

This Strategic Outcome is supported by the Office of the Chief Actuary (OCA). The OCA provides expert actuarial valuation reports on the state of various public pension plans. These reports are tabled in Parliament. The OCA also provides advice on the financial implications of related options being considered by the government. The OCA performs three distinct Program Sub-Activities which are incorporated into the Program Activity described below.

2.1 Program Activity: Office of the Chief Actuary

2.1 Program Activity: Office of the Chief Actuary (OCA)	
Description	The OCA provides a range of actuarial services, under legislation, to the Canada Pension Plan (CPP) and some federal government departments. The OCA estimates long-term expenditures, revenues and current liabilities of the CPP and of long-term future expenditures for the Old Age Security (OAS) program, and prepares statutory triennial actuarial reports on the financial status of the Public Sector Pension and Benefits Plans. The OCA also undertakes the actuarial review of the Canada Student Loans Program (CSLP).
Related Priority	**Ongoing Responsibility** • Contribute to public confidence by providing actuarial advice and services to the Stewards of the Canadian public retirement income system in regard to the financial status of the CPP, OAS, Public Sector Plans and the CSLP.
Expected Results	• Provide expert and timely actuarial advice in the form of high-quality reports tabled in Parliament, in respect of the CPP. • Provide expert and timely actuarial advice in the form of high-quality reports, in respect of Public Sector Pension and Benefits Plans. • Provide expert and timely actuarial advice in the form of high-quality and timely actuarial reports, in respect of the CSLP.
Performance Measure(s)	• CPP Peer Review Panel agrees that the Chief Actuary and his staff have adequate professional experience to provide expert advice in regard to, and undertake actuarial valuations of, the CPP. • The CPP Triennial Actuarial report was completed within legislated requirements and timeframes. • Independent observers are of the view that reports on the Public Sector Pension & Benefits Plans are comprehensive and that the actuarial opinion is appropriate. • The Public Sector Actuarial Reports met legislative requirements and timelines. • The Office of the Chief Actuary is the service provider of choice to complete actuarial reports in respect of the CSLP. • The CSLP Actuarial Report met agreed-upon requirements and deadlines.

(2.1) Financial Resources ($ millions)

2008-2009	2009-2010	2010-2011
$5.7	$5.9	$6.1

(2.1) Human Resources Average Full-Time Equivalents (FTEs)

2008-2009	2009-2010	2010-2011
38	38	38

SECTION III

SUPPLEMENTARY INFORMATION

Links to the Government of Canada Outcome Areas

OSFI's strategic outcomes, supported by our plans and priorities, are intrinsically aligned with broader government outcomes, specifically *strong economic growth, income security for Canadians* and *a safe and secure world through international cooperation.*

Strong economic growth
A properly functioning financial system, in which consumers and others (inside and outside Canada) have a high degree of confidence, makes a material contribution to Canada's economic performance. The achievement of OSFI's strategic outcomes, which are shared by partners within government and the private sector, provides an essential foundation for a productive and competitive economy.

OSFI is the primary regulator and supervisor of all federally registered financial institutions, numbering about 450. OSFI's activities and programs to enhance the safety and soundness of financial institutions are key to a regulatory framework underpinning the financial system, which in turn is essential to remain competitive in the global economy.

Income security for Canadians
OSFI supervises some 1,330 federally regulated private pension plans in Canada. OSFI's actions and decisions affect plan members as well as the sponsors and administrators of the plans. OSFI works to promote responsible pension plan governance and actuarial practices.

Canada has set in place a public pensions system that is expected to be sustainable and affordable well into the future in the face of changing demographic conditions. While OSFI does not supervise public pensions, the OCA does do statutory actuarial reports on various public pension programs, to come to conclusions about sustainability under certain assumptions.

A safe and secure world through international cooperation
OSFI supports the government's priority for a safe and secure world by contributing to the fight against terrorism financing and money laundering. OSFI's focus relates to guidance and the supervisory review of the operation of financial institution programs to comply with anti-money laundering / anti-terrorism financing requirements.

Financial institutions operate in an increasingly complex, international environment. There is greater interest in increased cross-border cooperation, and OSFI will continue to develop relationships with foreign regulators to promote consistency and facilitate mutual reliance.

Table 1: OSFI Links to the Government of Canada Outcomes

Strategic Outcome #1: ***To regulate and supervise to contribute to public confidence in Canada's financial system and safeguard from undue loss.***					
	Expected Results	**Planned Gross Spending ($ millions)**			**Alignment to Government of Canada's Outcome Areas**
		2008-09	**2009-10**	**2010-11**	
1.1 Regulation and Supervision of Federally Regulated Financial Institutions	Protect depositors and policyholders while recognizing that all failures cannot be prevented.	$79.6	$88.2	$85.7	• Strong economic growth • A safe and secure world through international co-operation
1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Protect the financial interests of federally regulated private pension plan members and beneficiaries.	$6.5	$6.8	$6.9	• Strong economic growth • Income security for Canadians
1.3 International Assistance	Emerging market economies are more informed about current approaches to regulatory and supervisory systems, so they may deploy them to the extent possible.	$1.9	$2.0	$2.0	• Strong economic growth • A safe and secure world through international co-operation
Strategic Outcome #2: ***To contribute to public confidence in Canada's public retirement income system.***					
2.1 Office of the Chief Actuary	Stewards of Canada's public retirement income system are provided with professional actuarial services and advice in regard to the Canada Pension Plan (CPP) and federally legislated public pension and benefit plans.	$5.7	$5.9	$6.1	• Income security for Canadians

The above table outlines OSFI's Strategic Outcomes and planned gross expenditures by activity, and links these to the Government of Canada's outcome areas.

The expenditures of each activity in the table include a share of OSFI's Internal Services costs, which have been allocated in a consistent manner to accurately reflect the total cost of each activity; to support equitable billing; and to support the Treasury Board requirement to understand Government-Wide Internal Services and fully-loaded program costs. OSFI's largest activity is the regulation and supervision of federally regulated financial institutions, which utilizes approximately 85% of OSFI's resources.

OSFI recovers practically all of its costs from several revenue sources (refer to Section 1, Financial Tables: Background). OSFI's net spending for each of the planning years is $850

thousand, which is funded by an annual parliamentary appropriation for the Office of the Chief Actuary's services to the Government of Canada related to Public Pensions.

List of Electronic Tables

The following additional tables can be found on the Treasury Board of Canada's web site at:

http://www.tbs-sct.gc.ca/est-pre/20082009/p3a_3.asp

2. Green Procurement
3. Internal Audits
4. Progress Towards OSFI's Regulatory Plan
5. Services Received Without Charge
6. Sources of Respendable and Non-respendable Income
7. Summary of Capital Spending by Program Activity

SECTION IV

OTHER ITEMS OF INTEREST

Internal Services: OSFI Program Support

Program Support at OSFI includes: Management and Oversight, Human Resources Management, Financial Management, Supply Chain Management, Facilities/Asset Management, Information Management, Information Technology, Legal, Public Affairs/Communications, Evaluation, Internal Audit and other support delivery services. To facilitate government-wide roll-ups, the costs of these program-support activities are allocated to each program activity to show full program cost. At the same time, OSFI has identified one priority (Priority G) with specific initiatives that will support all programs (listed under Section I as a management priority).

Program Support Activities	
Description	OSFI's Program Activities are supported by Corporate-wide Activities, whose costs are allocated to each Program Activity. These activities consist of Management and Oversight, Human Resources Management, Financial Management, Supply Chain Management, Facilities/Asset Management, Information Management, Information Technology, Legal, Public Affairs/Communications, Internal Audit, Evaluation, and other support delivery services.
Related Priority	**Ongoing responsibility** • High-quality internal governance and related reporting. • Resources and infrastructure necessary to support supervisory and regulatory activities. **Priority G – People** • Ensure OSFI has the human resources available to fulfill its mandate, through better long-range, integrated planning.
Expected Results	**Ongoing responsibility** • OSFI's financial statements accurately reflect the financial position of OSFI. • OSFI maintains or improves its strong performance on its Results-based Management Accountability Framework, (MAF) as assessed by Treasury Board from time to time. • Operational units within program support are efficient and effective, i.e. deliver services at reasonable cost and turn-around time relative to peers. • Operational units are operating within applicable acts, policies and guidelines. • A stable, committed and skilled workforce. **Priority G - People** • Improved allocation of resources.

Performance Measure(s)	**Ongoing responsibility** • OAG audit attests that OSFI's financial statements present fairly, in all material respects, the financial position of OSFI at the year-end and the results of its operations and its cash flows for the year in accordance with GAAP. • Treasury Board's audits of OSFI, in the scope of its government-wide Horizontal Audits, confirm no material findings for OSFI. • Treasury Board's next assessment of OSFI's MAF indicates equal or improved ratings, including in the three areas where, in the last assessment, Treasury Board suggested a need to focus. • Internal Audits of reviewed units find that controls are in place and units are operating within applicable acts, policies and guidelines, and/or identifies areas for action. • Knowledgeable observers are of the view that OSFI staff knowledge is good or very good. • Voluntary turnover reports are satisfactory. • Employee Survey finds that OSFI employees are committed. • The consolidated mean score of the Employee Survey has increased since the last survey. **Priority G - People** • HR costs for ongoing operations do not change substantially, unless there are unplanned external factors. • HR action plans are developed and regularly updated for all operational areas. • Staffing actions are planned and completed in a timely fashion.

Workforce

As at December 31, 2007, OSFI employed 458 people in offices located in Ottawa, Montreal, Toronto and Vancouver.

OSFI's work requires the effort and attention of multidisciplinary teams. It requires a combination of broad perspective and in-depth expertise. OSFI builds excellence into its culture, and encourages continuous learning through teamwork, professional development and training opportunities, and the provision and support of advanced technologies.

OSFI's unique work environment benefits from a full spectrum of professional experience and expertise, drawing on the talents of recent graduates, as well as seasoned industry and regulatory experts.

Head Count: Employees on Strength

Sector	As at March 31, 2007	% of total	As at December 31, 2007	% of total
Corporate Services	132	29%	128	28%
Supervision	177	38%	177	39%
Regulation	127	27%	129	28%
Office of the Chief Actuary	26	6%	24	5%
TOTAL	462	100%	458	100%

The Corporate Services Sector includes employees in the Superintendent's Office, Audit and Consulting Services and the secretariat of the Audit Committee. The change in this Sector is due to vacancies as at December 31, 2007. The increase in the Regulation Sector reflects the staffing of approved positions that were vacant as at March 31, 2007, while the decrease in the Office of the Chief Actuary is also due to vacancies.